

Township of Arcadia

Lapeer County, Michigan

Audited Financial Report
June 30, 2004

Lehn L. King

Certified Public Accountant
Marlette, Michigan

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Name (Specify) <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other Arcadia			County Lapeer
Audit Date 06/30/04	Opinion Date 08/10/04	Date Accountant Report Submitted to State: 09/29/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

OCT 27 2004

LOCAL AUDIT & FINANCE DIV.

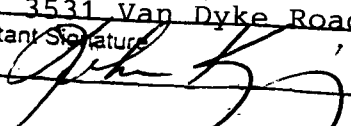
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) LEHN L. KING, CPA			
Street Address 3531 Van Dyke Road		City Marlette	State MI
Accountant Signature 		ZIP 48453	

Township of Arcadia
Annual Financial Report
For The Fiscal Year Ended June 30, 2004

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Members of the Township Board
Arcadia Township
Lapeer County, Michigan

Independent Auditor's Report

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Arcadia, Michigan as of and for the year ended June 30, 2004, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Arcadia, Michigan's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted the audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that the audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Arcadia, Michigan as of June 30, 2004 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, and the budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, I did not audit the information and express no opinion on it.

The Audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Arcadia, Michigan's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As described in Note 1, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and related statements, as of July 1, 2003.

Lehn King

Lehn L. King
Certified Public Accountant

August 10, 2004

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SUPERVISOR Kevin Daley
CLERK Alesa Broecker
TREASURER Karen Northrop

TRUSTEES
Jack Jostock
Richard McClelland

MANAGEMENT'S DISCUSSION AND ANALYSIS LETTER

Our discussion and analysis of the Township of Arcadia's financial performance provides an overview of the Township's financial activities for the fiscal year ended June 30, 2004. Please read it in conjunction with the Township's financial statements.

Financial Highlights

- State revenue sharing our largest revenue source, was reduced by the State of Michigan by approximately \$12,000 this year. The Township reacted by keeping a close eye on all expenditures. The result of the Township's action was an increase in fund balance of \$46,591.
- The Township received a \$2,140 matching state grant to assist in the purchase of radio equipment for the Fire Department.

Using this Report

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No.34. GASB Statement 34 implements a new model of financial reporting for state and local governments designed to enhance the usefulness of the Township's annual report.

The Township as a Whole

The Township of Arcadia's combined net assets increased approximately 3 percent from a year ago, from approximately \$477,300 in 2003 to 492,300 in 2004.

Governmental Activities

The Township of Arcadia's total government revenues were approximately \$468,000 for 2004, despite decreases in state revenue sharing and interest income. This amounted to a decrease of revenues of approximately 2 percent from the previous year.

The Township's largest expenditure is on roads with a 2004 total of approximately \$147,500. These dollars include the 4th bond payment on a 10 year installment to the Lapeer County Road Commission. This \$500,000 bond was used to gravel all township roads. Repayment will conclude in the 2010 fiscal year. Next is public safety with total expenditures of approximately \$105,500. Public safety includes Fire Department and contracted Sheriffs Deputy as the major expenditures.

Arcadia Township

Economic Factors and Next Year's Budget and Rates

The Arcadia Township budget for next year calls for a minimal increase of 2.3 percent on property tax rates, based on the rate of inflation. Because of the impact of Proposal A, however, the Township needs to continue to monitor its budget very closely. The state-wide Tax Reform Act limits growth in taxable value on any individual property to the lesser of inflation or 5 percent. Because some properties increase in value by less than inflation, the mathematical result of this is that the total taxable value for the Township will grow less than inflation, before considering new property additions. State revenue-sharing payments were decreased again this past year and could possibly decrease even more due to State cutbacks and less sales tax receipts at the State level. These factors, together with recent decreases from historical norms in other revenues, including interest on investments, continue to have a major impact on the Township's ability to balance its budget.

In looking to the future, the Township can see the coming need to improve office space for the general Township office as well as for the Fire Department. Although this is long range we felt it important to begin to plan for this in our budget, and started a new line item for capital expenditures for the coming year. Also discussion of the purchase of the next new fire truck is a possibility in the coming year with earmarked funds collected from the special assessment district. The capital expenditure fund monies could also be used to assist in this purchase.

Contacting the Township

This report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the monies it receives. If you have any questions about this report or need additional financial information, contact the Township office at 4900 Spencer Street Lum, MI or telephone at (810) 724-6565.

Kevin Daley
Arcadia Township Supervisor

Township of Arcadia

Statement of Net Assets (Deficit)

June 30, 2004

	<u>Primary Government Governmental Activities</u>
<u>Assets</u>	
Cash & Cash Equivalents	\$ 590,296
Accounts Receivable	37,921
Due From Other Governmental Units	517
Capital Assets (Net of Accumulated Depreciation)	<u>269,767</u>
<u>Total Assets</u>	<u><u>\$ 898,501</u></u>
<u>Liabilities</u>	
Accounts Payable	\$ 4,114
Accrued Interest Payable	6,435
Long-Term Debt	<u>395,656</u>
<u>Total Liabilities</u>	<u>406,205</u>
Net Assets (Deficit)	
Invested in Capital Assets - Net of Related Debt	269,767
Restricted:	
Reassessment	16,305
Unrestricted	<u>206,224</u>
<u>Total Net Assets (Deficit)</u>	<u><u>\$ 492,296</u></u>

The notes are an integral part of the statements.

Township of Arcadia

Statement of Activities
For the Year Ended June 30, 2004

Functions/Programs	Program Revenues			Net (Expense) Revenue & Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Primary Governmental Activities
Primary Government:					
Governmental Activities:					
General Government	\$ 184,983	\$ 25,373	\$ 0	\$ 0	\$ (159,610)
Public Safety	113,888	2,140	2,460	0	(109,288)
Public Works	89,750	0	0	0	(89,750)
Recreation & Culture	322	0	0	0	(322)
Total Governmental Activities	<u>\$ 388,943</u>	<u>\$ 27,513</u>	<u>\$ 2,460</u>	<u>\$ 0</u>	<u>(358,970)</u>
General Revenues:					
Property Taxes					\$ 207,142
State Shared Revenues					222,410
Interest					5,108
Cable Fees & Other					3,540
Transfers					0
Total General Revenues, Special Items & Transfers					<u>438,200</u>
Change in Net Assets					79,230
Net Assets (Deficit) - Beginning of Year					413,066
Net Assets (Deficit) - End of Year					<u>\$ 492,296</u>

The notes are an integral part of the statements.

Township of Arcadia

Governmental Funds

Balance Sheet

June 30, 2004

	Major Special Revenue Funds			Totals (Memorandum Only)
	General Fund	Public Safety Assessment Fund	Fire Improvement Fund	
<u>Assets</u>				
Cash & Certificates of Deposit	\$ 520,421	\$ 0	\$ 69,875	\$ 590,296
Accounts Receivable	36,791	0	1,130	37,921
Due From Other Funds	517	0	0	517
<u>Total Assets</u>	<u>\$ 557,729</u>	<u>\$ 0</u>	<u>\$ 71,005</u>	<u>\$ 628,734</u>
<u>Liabilities & Fund Equity</u>				
<u>Liabilities</u>				
Accounts Payable	\$ 4,114	\$ 0	\$ 0	\$ 4,114
Due To Other Funds	0	0	0	0
<u>Total Liabilities</u>	<u>4,114</u>	<u>0</u>	<u>0</u>	<u>4,114</u>
<u>Fund Equity</u>				
Fund Balances				
- Restricted for Reassessment	16,305	0	0	16,305
- Unreserved & Undesignated	537,310	0	71,005	608,315
<u>Total Fund Balances</u>	<u>553,615</u>	<u>0</u>	<u>71,005</u>	<u>624,620</u>
<u>Total Liabilities & Fund Equity</u>	<u>\$ 557,729</u>	<u>\$ 0</u>	<u>\$ 71,005</u>	<u>\$ 628,734</u>

The notes are an integral part of the statements.

Township of Arcadia
Governmental Funds
Reconciliation of Fund Balances to the
Statement of Net Assets (Deficit)
For The Year Ended June 30, 2004

Total Fund Balances for Governmental Funds	\$ 624,620
Amounts reported for Governmental Activities in the Statement of Net Assets (Deficit) are different because:	
Capital Assets used in Governmental Activities are not Financial Resources and are not reported in the Funds	269,767
Long-Term Bonds Payable are not due and payable in the current period and are not reported in the Funds	(395,656)
Accrued Interest Payable is not reported in the Funds	<u>(6,435)</u>
Net Assets of Governmental Activities	<u><u>\$ 492,296</u></u>

The notes are an integral part of the statements.

Township of Arcadia
Governmental Funds
Statement of Revenues, Expenditures, And Changes
in Fund Balances
For The Year Ended June 30, 2004

<u>Revenues</u>	<u>Major Special Revenue Funds</u>			<u>Totals (Memorandum Only)</u>
	<u>General Fund</u>	<u>Public Safety Assessment Fund</u>	<u>Fire Improvement Fund</u>	
Property Taxes	\$ 147,397	\$ 59,745	\$ 0	\$ 207,142
State Shared Revenue	222,410	0	0	222,410
Charges for Services	18,098	0	2,140	20,238
Licenses & Permits	7,275	0	0	7,275
Interest Earnings	4,518	165	425	5,108
Rental Income	2,500	0	0	2,500
Other Revenues	1,040	0	2,460	3,500
<u>Total Revenues</u>	<u>403,238</u>	<u>59,910</u>	<u>5,025</u>	<u>468,173</u>
<u>Expenditures</u>				
General Government	153,080	0	0	153,080
Public Safety	105,439	0	0	105,439
Publics Works	147,405	0	0	147,405
Cemetery	26,058	0	0	26,058
Health & Wealth	322	0	0	322
Capital Outlay	19,973	0	0	19,973
<u>Total Expenditures</u>	<u>452,277</u>	<u>0</u>	<u>0</u>	<u>452,277</u>
Excess of Revenues Over (Under) Expenditures	(49,039)	59,910	5,025	15,896
<u>Other Financing Sources (Uses)</u>				
Operating Transfers In (Out)	52,050	(59,910)	7,860	0
Net Change in Fund Balances	3,011	0	12,885	15,896
<u>Fund Balances - July 1, 2003</u>	<u>550,604</u>	<u>0</u>	<u>58,120</u>	<u>608,724</u>
<u>Fund Balances - June 30, 2004</u>	<u>\$ 553,615</u>	<u>\$ 0</u>	<u>\$ 71,005</u>	<u>\$ 624,620</u>

The notes are an integral part of the statements.

Township of Arcadia
Governmental Funds
Reconciliation of Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For The Year Ended June 30, 2004

Net Change in Fund Balances - Total Governmental Funds \$ 15,896

Amounts reported for Governmental Activities in the Statement of
Activities are different because:

Governmental Funds report Capital Outlays as Expenditures;
in the Statement of Activities, these costs are capitalized and
allocated over their estimated useful lives as Depreciation 25,468

Repayment of Bond Principal is and Expenditure in the Governmental
Funds, but not in the Statement of Activities (where it
reduces Long-Term Debt) 56,523

Interest Expense is reported in the Statement of Activities
when a Liability is incurred; they are reported in the
Governmental Funds only when payment is due 1,132

Depreciation is an Expenditures for the Statement of
Activities, but is not reported in the Governmental Funds (19,789)

Net Assets of Governmental Activities \$ 79,230

The notes are an integral part of the statements.

Township of Arcadia

Statement of Net Assets (Deficit)

Fiduciary Funds

June 30, 2004

	Fiduciary Fund Types				Totals June 30, 2004
	Agency Funds		Cemetery Perpetual Care		
	Trust And Agency	Current Tax Collection Fund	Nonexpendable Trust	Expendable Trust	
Assets					
Cash - Savings & Certificates	\$ 0	\$ 517	\$ 20,350	\$ 9,767	\$ 30,634
Due From Other Funds	0	0	0	0	0
Total Assets	\$ 0	\$ 517	\$ 20,350	\$ 9,767	\$ 30,634
Liabilities & Fund Balance					
Liabilities					
Due To General Fund	\$ 0	\$ 517	\$ 0	\$ 0	\$ 517
Total Liabilities	0	517	0	0	517
Fund Balances					
Unreserved & Undesignated	0	0	0	9,767	9,767
Reserve for Perpetual Care	0	0	20,350	0	20,350
Total Fund Balances	0	0	20,350	9,767	30,117
Total Liabilities & Fund Balances	\$ 0	\$ 517	\$ 20,350	\$ 9,767	\$ 30,634

The notes are an integral part of the statements.

Township of Arcadia
Statement of Changes in Net Assets
Fiduciary Funds
For The Year Ended June 30, 2004

	<u>Cemetery Perpetual Care Fund</u>
<u>Nonoperating Revenues</u>	
Perpetual Care Income	\$ 2,000
<u>Total Nonoperating Revenues</u>	<u>2,000</u>
Operating Expenses	<u>0</u>
<u>Total Operating Expenses</u>	<u>0</u>
<u>Change in Net Assets</u>	2,000
<u>Net Assets (Deficit) - Beginning of Year</u>	<u>18,350</u>
<u>Net Assets (Deficit) - End of Year</u>	<u><u>\$ 20,350</u></u>

Township of Arcadia
Notes to the Financial Statements
For The Year Ended June 30, 2004

The accounting methods and procedures adopted by the Township of Arcadia, Lapeer County, Michigan, conform to generally accepted accounting principles as applied to governmental entities. The following notes to the financial statements are an integral part of the Townships Comprehensive Annual Financial Report.

1. Summary of Significant Accounting Policies

Financial Reporting Entity

The Township of Arcadia was incorporated under the laws of the State of Michigan and operates as a General Law Township, with a Township Board form of government. As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the Township of Arcadia (the primary government) and its component units. The component units discussed below are included in the Township reporting entity because of the significance of their operational or financial relationships with the Township.

Component Units - In accordance with generally accepted accounting principles, there are no component units of Government required to be included in the Financial Reporting Entity either as blended component units or discretely presented component units.

Government-wide and Fund Statements Fund

The Government-wide Financial Statements (i.e., the Statement of Net Assets (Deficit) and the Statement of Activities) report information on all the nonfiduciary activities of the Township (the primary government). The effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function (governmental activities) or identifiable activity (business-type activities) are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or activity; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other revenue items properly excluded from program revenues are reported as general revenue.

Separate financial statements are provided for governmental funds, and Fiduciary Funds, even though the latter are excluded from the Government-wide Financial Statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The Township reports the following major governmental funds:

General Fund - The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Fire Improvement Fund - The fund accumulated resources to purchase future fire equipment. Funding is provided primarily from transfers from General Fund.

Township of Arcadia
Notes to the Financial Statements
For The Year Ended June 30, 2004

1. Summary of Significant Accounting Policies (Continued)

Public Safety Assessment Fund - The funding is provided through a collection of a special assessment. The fund is for the use of police protection, the purchase of fire equipment, fire department operation, and fire vehicles.

Measurement Focus and Basis of Accounting

The Government-wide Financial Statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Fund Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period, generally collected within 60 days of the end of the current fiscal period. Revenues susceptible to accrual include property taxes, intergovernmental revenues, special assessments, licenses, charges for services, and interest. All other revenue items are considered to be available only when cash is received by the Township. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, and claims and judgments are recorded only when payment is due.

Cash - The Township does not pool cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the cash accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as part of the Township's investments.

Investments - Debt securities are valued at cost since it is generally the policy of the Township to hold such investments until they mature.

Due to and Due from Other Funds - Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

Property Tax Revenues - Property taxes are levied on December 1 based on the assessed value of property as listed on the previous December 31. Assessed values are an approximation of market value. A revaluation of all real property must be made every year.

Vacation, Sick Leave, & Other Compensated Absences - The Township does not have any contracts or agreements with its employees or elected officials which require the payment of compensation during absence from duty nor do any such benefits vest to the right of the employee or elected official.

Inventories and Prepaid Items - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both Government-wide and Fund Financial Statements.

Capital Assets - Capital assets, which include buildings and equipment, are reported in the applicable governmental column in the Government-wide Financial Statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Township of Arcadia
Notes to the Financial Statements
For The Year Ended June 30, 2004

1. Summary of Significant Accounting Policies (Continued)

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings & Building Improvements	35 to 40 years
Machinery & Equipment	5 to 20 years

Long-Term Obligations - In the Government-wide Financial Statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets. Bond premiums and discounts, issuance costs, and the deferred amount on refunding are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount and deferred amount on refunding. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Accounting Changes

GASB Statement No. 34 - Effective July 1, 2003, the Township implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* (GASB No. 34). Changes to the Township's financial statements as a result of GASB No. 34 are as follows:

- A management's discussion and analysis (MD&A) section providing analysis of the Township's overall financial position and results of operations has been included.
- Government-wide Financial Statements (statement of net assets (deficit) and statement of activities) prepared using full accrual accounting for all of the Township's activities have been provided.
- Capital assets in the governmental activities column of the statement of net assets (deficit) includes assets not previously accounted for by the Township. In addition, the governmental activities column includes bonds and other long-term obligations totaling \$395,655 previously reported in the General Long-term Debt Account Group.
- The fund financial statements focus on major funds rather than fund types.

Township of Arcadia
Notes to the Financial Statements
For The Year Ended June 30, 2004

2. Stewardship, Compliance, and Accountability

Budgetary Information

The Township is legally subject to the budgetary control requirements of State of Michigan P.A. 621 of 1978 (the Uniform Budgeting Act). The following statements represent a brief synopsis of the major provisions of this Act:

1. Prior to July 1, the Township Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior July 1, the budget is legally enacted.
4. The budget is used by the Township Board as a management tool during the year for all budgetary funds. The budgets are adopted on a cash basis which is not consistent with generally accepted accounting principles. Budgetary control is exercised at the departmental level.
5. Budget amounts are as originally adopted, and as amended by the Township Board.

In the body of the financial statements, the Township actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budget was adopted to the department level. Budgets for these funds are shown in the supplemental schedules to this statement.

During the year ended June 30, 2004, the Township incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

	<u>Total Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variance</u>
General Fund		NONE	

During the year ended June 30, 2004 budgets were not adopted for the following funds:

Fire Improvement Fund
Public Safety Assessment Fund.

3. Cash and Investments

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the Local Unit's cash deposits are as follows:

Township of Arcadia
Notes to the Financial Statements
For The Year Ended June 30, 2004

	<u>Carrying Amount</u>
Bank Deposits (Checking, Savings, CD's)	\$ 325,799
MBIA Michigan Class Account	<u>295,131</u>
Total Deposits	<u><u>\$ 620,930</u></u>

The Township's deposits are in accordance with statutory authority. As of June 30, 2004 the balance sheet carrying amount of cash deposits was \$325,799. The bank balance as of June 30, 2004 was \$325,799, of which \$323,765 was covered by FDIC insurance.

For the fiscal year ended June 30, 2004 the Township invested in the Michigan Class Account with MBA Municipal Investors Service Corporation whose underlying investments were eligible under MCL 129.91. Since these investments do not involve a transferable financial instrument, they are not categorized into risk categories. These investments are recorded at cost which is also their fair market value of \$295,131.

All cash deposits and investments of the Township are held by the Township in the Township's name.

The GASB Statement 3 risk disclosures for the Local Unit's investments are as follows:

Investment Type	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>	<u>Carrying Amount</u>	<u>Market Value</u>
Risk Categorized		NONE			
Operating Funds					
US Treasury Bonds					
Investment in Deferred					
Compensation Plans					
Total Risk-Categorized					
Investments					

The cash and investments that are represented by specific identifiable investment securities are classified as to credit risk by the three categories described below:

Category 1	Insured or registered, or securities held by the Township or its agent in the Township's name.
Category 2	Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Township's name.
Category 3	Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the Township's name.

4. Property Taxes

The Township is responsible for assessing, collecting, and distributing property taxes in accordance with enabling state legislation. Property taxes become a lien on the first day of December of the levy year and might be paid by the following February 14.

Property taxes are not recognized in compliance with NCGAI-3 which states that such revenue is recorded when it becomes measurable and available. Property taxes are recorded as revenue when collected.

The Township levied the following taxes:

Township of Arcadia
Notes to the Financial Statements
For The Year Ended June 30, 2004

General Government Services 1.4757 mills

Township Fire Protection: Special Assessment per parcel

\$45 Per Dwelling or Commercial/Industrial Building
\$15 Vacant Parcels

5. Due To/From Other Funds

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "Due from other funds" or "Due to other funds" on the balance sheet. The amounts of interfund receivables and payables are as follows:

	<u>Due From Other Funds</u>		<u>Due To Other Funds</u>
General Fund	\$ 517	Tax Fund	\$ 517
Total	<u>\$ 517</u>		<u>\$ 517</u>

Interfund receivable and payable are not eliminated for financial presentation.

6. Capital Assets

Capital assets activity of the Township's governmental activities was as follows:

	<u>Balance July 1, 2003</u>	<u>Additions</u>	<u>Disposals & Adjustments</u>	<u>Balance June 30, 2004</u>
Governmental Activities:				
Capital Assets not being Depreciated:	\$ 14,195	\$ 0	\$ 0	\$ 14,195
Capital Assets being Depreciated:				
Township Hall & Office Equipment	\$ 79,907	\$ 19,973	\$ 0	\$ 99,880
Fire Buildings & Equipment	316,381	5,495	0	321,876
Total Capital Assets being Depreciated	<u>396,288</u>	<u>25,468</u>	<u>0</u>	<u>421,756</u>
Accumulated Depreciation:				
General Government	44,848	5,845	0	50,693
Fire Department	101,547	13,944	0	115,491
Total Accumulated Depreciation	<u>146,395</u>	<u>19,789</u>	<u>0</u>	<u>166,184</u>
Net Capital Assets being Depreciated	249,893	5,679	0	255,572
Net Total Capital Assets	<u>\$ 264,088</u>	<u>\$ 5,679</u>	<u>\$ 0</u>	<u>\$ 269,767</u>

Township of Arcadia
Notes to the Financial Statements
For The Year Ended June 30, 2004

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities:

General Government	\$ 5,845
Public Safety	13,944
Total Governmental Activities	<u>\$ 19,789</u>

7. Long-Term Debt

The general long-term debt of the Township, and the changes therein, are summarized as follows:

General Long-Term Debt Account Group

	Balance July 1, 2003	Addition	Reductions	Balance June 30, 2004
<u>Primary Government</u>				
Bonds Payable - On May 17, 2000, the Township entered into an agreement with the County Road Commission to repay bonds issued by the County Road Commission. The proceeds of the bonds will be used for road improvements within the Township. Principal payments are due annually on August 1, with interest due semi-annually each August 1 and February 1 at rates ranging from 4.4 to 5.0 percent	\$ 452,179	\$ 0	\$ 56,524	\$ 395,655
Total Long-Term Debt	<u>\$ 452,179</u>	<u>\$ 0</u>	<u>\$ 56,524</u>	<u>\$ 395,655</u>

Bond payable at June 30, 2004 is comprised of the following issue:

General Obligation:

\$565,223 Lapeer County Road Commission Bond - Arcadia Township Road Improvements
due in annual installments of \$56,522 plus interest at 4.4% - 5.00% through 2010

\$395,655

	Year	Interest	Principal	Total Annual Payment	Remaining Balance
June 30,	2004	\$ 0	\$ 0	\$ 0	\$ 395,655
	2005	18,161	56,523	74,684	339,132
	2006	15,444	56,523	71,967	282,609
	2007	12,699	56,523	69,222	226,086
	2008	9,924	56,523	66,447	169,563
	2009	7,121	56,523	63,644	113,040
	2010	4,290	56,523	60,813	56,517
	2011	1,430	56,517	57,947	0
Total		<u>\$ 69,069</u>	<u>\$ 395,655</u>	<u>\$ 464,724</u>	

Township of Arcadia
Notes to the Financial Statements
For The Year Ended June 30, 2004

8. Pension Plan

The township makes annual contributions to Manulife Financial for all eligible employees and board members. The plan is a defined contribution plan with an annual contribution rate of 15%. During the fiscal year ended June 30, 2004 the Township contributed \$8,188 to the plan.

9. Deficit Fund Balance or Retained Earnings Balances of Individual Funds

None

10. Comparative Data

Comparative total data for the prior year has not been presented.

11. Post Employment Benefits

The Township does not provide any post employment benefits other than pension benefits through Manulife Financial.

12. Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical and workman's compensation benefits provided to employees. The Township has purchased commercial insurance for the various risks of loss stated above.

Settled claims for the commercial insurance have not exceeded the amount of coverage in any of the past three years. There was no reduction in coverage's obtained through commercial insurance during the past year.

Required Supplemental Information

Township of Arcadia
 Budgetary Comparison Schedule - General Fund
 For The Year Ended June 30, 2004

	General Fund			Variance with
	Original	Amended		Amended
<u>Revenues</u>	<u>Budget</u>	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>
Property Taxes	\$ 139,695	\$ 139,695	\$ 147,397	\$ 7,702
State Shared Revenues	220,000	220,000	222,410	2,410
Charges for Services	8,330	8,330	18,098	9,768
Licenses & Permits	4,500	4,500	7,275	2,775
Interest Earnings	5,600	5,600	4,518	(1,082)
Rental Income	1,500	1,500	2,500	1,000
Other Revenues	0	3,181	1,040	(2,141)
<u>Total Revenues</u>	<u>379,625</u>	<u>382,806</u>	<u>403,238</u>	<u>20,432</u>
<u>Expenditures</u>				
General Government				
Township Board	35,086	35,086	23,679	11,407
Clerk	21,784	21,784	19,781	2,003
Treasurer	23,459	23,959	23,808	151
Supervisor	14,752	14,752	13,519	1,233
Assessor	15,298	25,298	16,013	9,285
Elections	500	500	84	416
Professional Services	18,500	12,610	9,746	2,864
Board of Review	1,107	1,107	701	406
Township Hall Expense	39,700	32,927	27,186	5,741
Insurance & Bonds	18,000	20,000	17,391	2,609
<u>Total General Government</u>	<u>188,186</u>	<u>188,023</u>	<u>151,908</u>	<u>36,115</u>
Cemetery	<u>25,125</u>	<u>27,235</u>	<u>26,058</u>	<u>1,177</u>
Parks & Recreation	<u>2,000</u>	<u>2,000</u>	<u>1,172</u>	<u>828</u>
Public Safety				
Planning & Zoning	5,568	5,568	4,010	1,558
Law Enforcement	60,000	60,000	51,125	8,875
Fire Protection	55,000	62,660	47,130	15,530
Street Lights	3,000	3,000	2,390	610
Board of Appeals	1,427	1,427	784	643
<u>Total Public Safety</u>	<u>124,995</u>	<u>132,655</u>	<u>105,439</u>	<u>27,216</u>
Highways, Streets, & Bridges	<u>185,500</u>	<u>168,393</u>	<u>147,405</u>	<u>20,988</u>
Health & Wealth	<u>5,657</u>	<u>4,107</u>	<u>322</u>	<u>3,785</u>
Capital Outlay	<u>0</u>	<u>20,000</u>	<u>19,973</u>	<u>27</u>
<u>Total Expenditures</u>	<u>531,463</u>	<u>542,413</u>	<u>452,277</u>	<u>90,136</u>
Excess of Revenues Over				
(Under) Expenditures	(151,838)	(159,607)	(49,039)	110,568
<u>Other Financing Sources (Uses)</u>				
Operating Transfers In (Out)	58,000	58,000	52,050	(5,950)
Excess of Revenues & Operating Transfers In Over				
(Under) Expenditures & Operating Transfers Out	(93,838)	(101,607)	3,011	104,618
<u>Fund Balance - July 1, 2003</u>	<u>550,601</u>	<u>550,601</u>	<u>550,604</u>	<u>3</u>
<u>Fund Balance - June 30, 2004</u>	<u>\$ 456,763</u>	<u>\$ 448,994</u>	<u>\$ 553,615</u>	<u>\$ 104,621</u>

Township of Arcadia
 Budgetary Comparison Schedule - Public Safety Assessment Fund
 For The Year Ended June 30, 2004

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
<u>Revenues</u>				
Property Tax	\$ 0	\$ 0	\$ 59,745	\$ 59,745
Interest	0	0	165	165
<u>Total Revenues</u>	<u>0</u>	<u>0</u>	<u>59,910</u>	<u>59,910</u>
<u>Expenditures</u>				
Miscellaneous	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>Total Expenditures</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>Excess of Revenues Over (Under) Expenditures</u>	0	0	59,910	59,910
<u>Other Financing Sources</u>				
Operating Transfers In (Out)	<u>0</u>	<u>0</u>	<u>(59,910)</u>	<u>(59,910)</u>
<u>Excess of Revenues & Other Sources Over (Under) Expenditures & Other Uses</u>	0	0	0	0
<u>Fund Balances - July 1, 2003</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>Fund Balances - June 30, 2004</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

Township of Arcadia
 Budgetary Comparison Schedule - Fire Improvement Fund
 For The Year Ended June 30, 2004

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
<u>Revenues</u>				
Charges for Service	\$ 0	\$ 0	\$ 2,140	\$ 2,140
Grant Proceeds	0	0	2,460	2,460
Interest	0	0	425	425
<u>Total Revenues</u>	<u>0</u>	<u>0</u>	<u>5,025</u>	<u>5,025</u>
<u>Expenditures</u>				
Miscellaneous	0	0	0	0
<u>Total Expenditures</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>Excess of Revenues Over (Under) Expenditures</u>	0	0	5,025	5,025
<u>Other Financing Sources</u>				
Operating Transfers In (Out)	0	0	7,860	(7,860)
<u>Excess of Revenues & Other Sources Over (Under) Expenditures & Other Uses</u>	0	0	12,885	12,885
<u>Fund Balances - July 1, 2003</u>	<u>0</u>	<u>0</u>	<u>58,120</u>	<u>58,120</u>
<u>Fund Balances - June 30, 2004</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 71,005</u>	<u>\$ 71,005</u>

LEHN L. KING
CERTIFIED PUBLIC ACCOUNTANT

3078 S. MAIN STREET
MARLETTE, MICHIGAN 48453

Phone 989-635-3113
Fax 989-635-5580

August 10, 2004

Members of the Township Board
Arcadia Township
Lapeer County, Michigan

Board Members:

In accordance with your request, I have made an examination of the financial statements of Arcadia Township for the fiscal year ended June 30, 2004. During the course of my examination, the following item came to my attention.

Per P.A. 621 of 1968, the Township board must adopt a budget for all special revenue funds. This includes the Public Safety Assessment Fund and the Fire Improvement Fund. The board did not adopt a budget for these funds for the fiscal year ending June 30, 2004.

From an overall viewpoint, Arcadia Township is in good financial condition. The financial records maintained by the Township are in good order.

I thank the Township officials for the cooperation I received in the completion of this examination. Should you have any questions in connection with the above, please contact me at your convenience.

Sincerely,

Lehn King

Lehn L. King
Certified Public Accountant